

United States, boosting productivity and economic welfare. New research from the Census Bureau shows, for example, that foreign-owned plants are more productive, more technology-intensive and pay higher wages than the average U.S.-owned plant. Developing countries are also moving at a record pace to emulate America's successful open-door investment policy. More than 40 nations moved in this direction in 1992 alone. Indeed, attitudes have shifted from deep suspicion of multinational investors to active solicitation.

Foreign direct investment, or FDI, is now the most important source of external finance for developing countries, which attracted a record 40 percent of global FDI flows in 1994. A lack of modern infrastructure that threatens future growth is further driving FDI liberalization in areas still restricted in many nations. Countries such as India and Indonesia, for example, are breaking down telecommunication monopolies and encouraging increased foreign participation.

The irony is that the United States is moving in the opposite direction. In contrast to the unilateral opening now occurring in developing countries, the United States has started to experiment with a new generation of laws and regulations that promote the discriminatory treatment of foreign investors.

Since 1988 substantial machinery has been put in place to block FDI deals and to penalize foreign-owned firms for the offensive practices of their home-country governments. First popular in the area of research and development policy, these tit-for-tat tactics are now being used against foreign investors through the deregulation of U.S. financial services and communications sectors. In both cases, pending legislation would condition the access of foreign investors—such as banks and telecommunication firms—on comparable market-opening measures in their home countries. U.S. negotiators have further indicated their intention to link the two during the investment negotiations, which are being held under the auspices of the Organization for Economic Cooperation and Development.

Caught in the cross-fire are deals like the proposal by Deutsche Telekom and France Telecom to buy a 20 percent stake in Sprint; rival AT&T wants the deal blocked until equal access is secured in the German and French markets. Also caught are proposals to unconditionally eliminate the existing 25 percent restriction on foreign ownership of media and telephone companies. These proposals don't have a chance until the tactic of using investors as a trade tool is rejected as economic nonsense.

For starters this approach treats liberalization as a concession and discounts the intrinsic value of foreign investment to the U.S. economy. Opening financial services and telecommunications more to competition and foreign participation will generate benefits for the U.S. economy that do not depend on more open rules abroad. Sir James Graham, a 19th century British statesman, said it best: to create a link between the two is to "make the folly of others the limit of our wisdom."

As San Francisco Federal Reserve Bank President Robert T. Parry put it, the "hammer of reciprocity" is a crude policy tool that misses the fundamental point: Competition is America's secret economic weapon, not reciprocity.

Take the case of the auto industry. Foreign-owned car plants in this country—so-called transplants—have brought key technology and management practices to the United States, strengthening the domestic industry and transforming the nation's Rust Belt into an export belt. By contrast, consider the sheltered telecommunications in-

dustry in Germany and the slow pace of deregulation, which have kept costs high and hurt firms within the industry as well as downstream users.

Further, if the United States hopes to secure an investment agreement—either through the OECD or an expanded World Trade Organization—that is based on the principles of nondiscrimination, then approving the use of foreign investors as a crowbar is hardly an auspicious start. Is this really the precedent the United States wants to set for other countries, especially the dynamic developing economies? Just as the OECD is trying to narrow the scope of investment restrictions, Washington is carving out a new category of exceptions to the principle of nondiscrimination, with potentially damaging consequences.

The hazard of being a leader is that others watch and follow. The anti-dumping laws provide an unfortunate case in point. Initially promoted as a "trade remedy," anti-dumping laws have spread around the world, to the detriment of U.S.-owned multinationals. More than 40 nations—half of them developing countries—have adopted anti-dumping laws. Indeed, there has been a sharp increase in cases since 1990, and U.S. exporters are now the target of these laws more often than any other country. What seemed to help in the short term instead has worked to reduce corporate flexibility and hurt the efficiency of the global economy.

If other countries follow the U.S. lead in investment and use FDI as a trade tool, we will have created an administrative nightmare. We also will have squandered a rare opportunity to develop a comprehensive, nondiscriminatory investment regime.

Rather than take this troubled path, the United States should lead by example and resist the tit-for-tat approach to investment challenges. Competing for, not restricting, investor dollars—domestic or foreign—drives the economy forward. Let's stick with the program that works.

Cynthia Beltz, a research fellow at The American Enterprise Institute in Washington, is editor of the forthcoming, "The Foreign Investment Debate" (AEI, 1995).

#### SUPPORT THE NAVY'S SUBMARINE MODERNIZATION PLAN

**HON. SAM GEJDENSON**

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, June 7, 1995*

Mr. GEJDENSON. Mr. Speaker, I encourage my colleagues to read the article below from this month's issue of *Sea Power Magazine*, which underscores the need for Congress to support the Navy's submarine modernization plan. The article was written by James Courter, former Congressman and chairman of the BRAC Commission, and Loren Thompson, executive director of the Alexis de Tocqueville Institution.

The timing of this article could not be better as Congress debates the Navy's plan to complete the third *Seawolf* and continue design work on the follow-on less expensive new attack submarine. I urge all my colleagues to read this informative article and to support the Navy's submarine plan.

The article follows:

THE NEXT SUBMARINE—AND THE ONE AFTER THAT

(By James Courter and Loren Thompson)

In the years since the fall of the Berlin Wall, the future of the Navy's submarine

construction program has become somewhat uncertain. The service has taken several steps to adjust to the diminished threat, including scaling back the program to build *Seawolf*-class nuclear-powered attack submarines (SSNs). In the late 1980s the Navy was planning to build as many as 29 *Seawolves*; the program now has been cut back to a mere three boats. Meanwhile, the Navy has initiated the design of a less expensive follow-on attack submarine, and has concentrated its new submarine construction work at the General Dynamics Electric Boat (GD/EB) shipyard in Groton, Conn.

Despite these efforts, critics in Congress and elsewhere have urged that additional changes are needed. Some favor termination of the third ship of the *Seawolf* class. Others believe that all construction of nuclear-powered ships, aircraft carriers as well as submarines, should be carried out at one location. And still others argue that the Navy should build at least some diesel-powered submarines rather than the more expensive nuclear boats.

Despite the critics, a careful examination of recent history, current technological trends, and prospective geopolitical developments builds a compelling case for the continued production of SSNs as a reasonable trade-off between future military requirements, current geopolitical uncertainties, and continuing constraints on resources.

#### BACK TO THE FUTURE

Although the United States fought two world wars prior to the full emergence of Soviet military power in the late 1940s, many policy-makers apparently believe the earlier threats of this century—including the Soviet threat—have no relevance to current or future U.S. security needs. But there is, in fact, a common thread that links all the great military threats of the twentieth century to all of the others, and to the equally imposing challenges that America may face in the foreseeable future.

That common thread is geopolitical uncertainty. Three times in the twentieth century, anti-democratic coalitions sought to dominate Eurasia. The imperialist threat posed by Germany and Austria Hungary was followed by fascist aggression mounted by Germany and Japan, which gave way to communist-sponsored subversion and political upheaval emanating from the USSR and Communist China. These three challenges largely defined U.S. defense policy and spending patterns in the twentieth century.

Such threats were not unanticipated in the nineteenth century. Geopolitical theorists such as Halford Mackinder and Alfred Thayer Mahan had noted the disproportionate concentration of people and material resources in Eurasia, and correctly concluded that insular powers such as the United States must possess the political, economic, and military strength needed to ensure their access to what Mackinder called the "world island." To allow one power, or a coalition of powers, the theorists argued, to control the Eurasian landmass might set the stage for domination of the whole world. During the Cold War, the strategy of assuring access to Eurasia—and of preventing Soviet and Chinese control of it—was christened "containment" by George Kennan. But the basic geopolitical roots of the Cold War containment policy differed little from the strategic considerations that in earlier times had drawn the United States into global conflicts against imperialism and fascism.

American seapower played a central role in enabling the United States to execute its containment strategy, just as it played an important part in the efforts of U.S. foes—Germany and Japan in World War II and the

USSR in the Cold War—to defeat that strategy. Even after the advent of intercontinental aircraft, control of the sea lanes remained essential to U.S. economic prosperity and national security. In fact, the relevance of seapower has increased dramatically as the U.S. economy has become increasingly linked to the economies of Europe and Asia—and, not incidentally, also has become more and more dependent on energy resources, such as Middle East oil, and other vital raw materials available only, or primarily, from foreign suppliers. The breakup of the Soviet Union into numerous republics—four of them armed with nuclear weapons—has not significantly altered this reality.

What it has altered, though, is the sense of urgency among U.S. decision-makers about the need to preserve naval forces adequate to safeguard freedom of the seas and to protect U.S. interests overseas. The United States is currently engaged in its third great demobilization of the twentieth century—and, although this one has been more gradual than those following the world wars, it seems to be based on the same assumption that great-power threats to U.S. national security are a thing of the past. The current U.S. defense posture thus is predicated in large part on the expectation that U.S. forces will face no future military challenge more imposing than regional conflict. The budgetary result has been a massive demobilization and downsizing of the force structure. As an ancillary consequence, the U.S. defense production base, including the shipbuilding and aerospace industries, and their suppliers, also has been seriously weakened.

#### THE RELEVANCE OF SUBMARINES

Nowhere is this fact more apparent than in the building of nuclear submarines. Thirty years ago, there were half a dozen public and private shipyards in the United States capable of building submarines. Today, there are two—and soon there may only be one. The Navy's current submarine construction plan calls for building a single nuclear-powered attack submarine at General Dynamics Electric Boat every other year into the next decade.

This minimal production rate, combined with the accelerated retirement of boats now in the active fleet, will, by the turn of the century, reduce the Navy's SSN fleet to a force of only 45 to 55 ships. (The Clinton administration's Nuclear Posture Review also has recommended retention of 14 Trident ballistic missile submarines (SSBN's) to serve as the core of the nation's nuclear deterrent.)

Many defense analysts have pointed out that the presently contemplated rate of submarine construction is not sufficient to sustain even the much-reduced operational now force planned. Assuming a service life of 30 years for each boat, a build rate of one new submarine every other year would eventually produce a fleet of only 15 submarines. However, because the current inventory of operational SSNs exceeds the established requirement, the Navy does not plan to address the production-rate issue until early in the next century. For the time being, its main concern is simply to ensure that a submarine design and production base is preserved. And concern is warranted: If even one submarine is dropped from the current minimal-construction plan for replacement SSNs, the production base for nuclear-powered submarines may indeed collapse.

The relevance of attack submarines to future U.S. national security requirements is based primarily on the continuing requirement to guarantee U.S. access to Eurasia, and recent history suggests that major new threats to the stability of the world island

could emerge in the relatively near future—initially, perhaps, in the form of regional aggression. The question that arises in that context concerns the future role of nuclear-powered attack submarines.

#### INSTABILITY AND PERSISTENCE

The most obvious such role revolves around the traditional mission of maintaining control of the world's sea lanes. By countering enemy submarines and surface combatants, attack submarines assure the safe ocean transit of U.S. and allied naval and merchant vessels. Because of the general decline in Russian military power, that mission may seem to be perhaps less critical in the mid-1990s than it was during the Cold War. But U.S. naval intelligence officials have warned that "the bear still swims"—and have backed up that statement with hard evidence. The Russians continue to build several new submarines per year, and they have made significant progress in matching—in some cases surpassing—the stealthiness of U.S. submarines, even while they cut back drastically on many other components of their military power. The present instability of the Russian regime, and the persistence of anti-Western, anti-democratic political attitudes in Russia, both strongly suggest that the United States should not allow itself to fall behind Russia's technological achievements in the underwater arena.

A related and potentially more ominous development to which the Russians—and several U.S. allies—have contributed is the rapid proliferation of non-nuclear submarine technologies to developing countries. There are now over 600 submarines deployed around the world, operational in the navies of more than 40 countries. Not all of those submarines pose a direct threat to U.S. use of the sea lanes, but a growing number do. In recent years, Russia and various Western nations have agreed to sell diesel-electric submarines to, among other countries—not all of them friendly to the United States—China, Egypt, India, Iran, Pakistan, and Syria. In addition, several of the more developed nations of the Third World have begun or are beginning to develop an indigenous capacity to produce diesel-electric or even nuclear-powered submarines.

The problem posed by the proliferation of submarine technology is today more embryonic than urgent, but the pace of proliferation, combined with the strategic location of several recent purchasers of modern submarines, is worrisome. It would require only a few submarines to close the Straits of Gibraltar or the Straits of Hormuz—which would be likely targets of Libya and Iran, respectively, in the event of future conflict. Continued U.S. access to Middle East oil, and to Asian and European markets, demands that the U.S. Navy be prepared to deter or counter major new submarine threats. The current U.S. submarine program is for that reason aimed primarily at developing and building the submarine platforms, sensors, and weapons needed to track and destroy submarines that in the future will be faster, more lethal, and, above all, increasingly stealthy.

#### LAND-ATTACK SSNS

A second key role that attack submarines will in all likelihood be assigned in the future is the delivery of precision firepower against land targets ashore. The precedent for this mission is well-established in the fleet of SSBNs, which have for so long been the most survivable "leg" of the U.S. strategic nuclear triad, and which have as their primary if not exclusive mission the destruction of enemy ICBM (intercontinental ballistic missile) silos, air bases, and other strategic land targets. In the future, though, the

parallel capability of SSNs to launch conventional cruise missiles against land targets may play a greater role in U.S. naval strategy and tactics. Because of the loss of U.S. bases overseas and the need in recent years, as a result of budget cuts, to "gap" forward-deployed Navy battle groups in waters adjacent to areas of potential crisis, it may become increasingly necessary for the Navy to rely on submarines to compensate for the absence of surface combatants and tactical naval aviation.

The vulnerability of surface ships to the increasingly sophisticated cruise missiles, land-based as well as sea-based, possessed by so many Third World nations and regional powers also will require submarines to play a growing role in the land-attack mission. A recent war game at the U.S. Naval War College in Newport, R.I., demonstrated that a U.S. surface fleet could suffer severe losses to land-based cruise missiles.

There is nothing hypothetical about this threat; it is already a very real and increasingly difficult problem. A long-time U.S. ally, France, currently is developing a stealthy, long-range cruise missile called the Apache that will be able to use a direct link to reconnaissance satellites for guidance. While the French have no plans to export the new missile, it is clearly only a matter of time before all of the key technologies—stealth, cruise missiles, realtime satellite reconnaissance—are available to other industrialized countries and, probably, to some lesser-developed nations as well.

Such trends in the capabilities of weapons will require parallel changes in the operating tactics and battle doctrines of all the world's navies. As it becomes increasingly necessary for major surface combatants and auxiliaries to remain further offshore, the ability of submarines to elude detection will enhance their usefulness in the land-attack role. Indeed, some observers already believe that the capacity of submarines to remain stealthy will make the attack submarine the true capital ship of the next century.

Submarines probably also will retain the various ancillary missions, such as reconnaissance and the insertion of special-operations forces, that they assumed—or that were thrust upon them—during the Cold War. While such roles may not in themselves justify spending a billion dollars or more for a nuclear-powered attack submarine, they are a useful complement to the submarine's primary mission and thus, by helping to amortize the SSN's operating as well as initial-construction costs, would be a key factor in the overall cost/benefit equation.

#### MAINTAINING AN ADEQUATE FORCE

Despite recurrent reports throughout the Cold War that new technology was about to render the oceans transparent, U.S. submarines have remained exceedingly difficult, if not impossible, for adversaries to track and target, thanks primarily to the Navy's long-term and continuing effort to improve the stealthiness of its submarines. Although the sensitivity and signal-processing capabilities of potential adversaries' sonar systems have improved significantly, they have not managed to match the pace of "quieting" U.S. submarines. Experts are nearly unanimous in believing that American submarines can remain ahead in the survivability race—but only for as long as the Navy continues a reasonably vigorous technology program to maintain—or, preferably, enhance—the stealth of its own submarines.

Unfortunately, the survivability of U.S. submarines is only half of the combat equation. The other half is the survivability of enemy submarines, a matter about which the U.S. Navy has good reason to be worried. The newest Russian submarines have actually

surpassed the quietness of the most advanced, quietest, and most survivable boats—the Los Angeles-class SSNs—now in the U.S. active fleet. The threat posed by Russia's stealthy Akula-class SSNs imposes new and unprecedented demands on U.S. sensors and weapons. Thus, despite its temporary surplus of nuclear-powered attack submarines, the United States has two compelling reasons to build new and even more advanced SSNs: (a) it must preserve the stealthiness of its own submarines; and (b) it must overcome the stealthiness of the most advanced foreign-built submarines.

The Seawolf SSN program, and the follow-on new attack submarine (NSSN)—scheduled to begin construction in 1998—are intended to meet both of these needs. The NSSN will incorporate the advanced quieting, sensor, and weapons technology of the Seawolf in a less expensive hull that is more compatible with anticipated future budgetary limitations. Although it will cost considerably less than the Seawolf, it will be able to accomplish all of the post-Cold War missions, including the land-attack mission, envisioned for U.S. attack submarines.

The pace of development for the NSSN will not allow construction of the first of the class to begin any earlier than 1998, however. The Navy already has committed \$900 million to the construction of a third Seawolf submarine, and in the fiscal year 1996 defense budget is seeking the remaining \$1.5 billion needed to complete it. That common-sense economic rationale is not, of course, the only reason the Navy wants to complete construction: The third Seawolf will contribute significantly to future seapower capabilities, and will help satisfy a Joint Chiefs of Staff requirement for at least 10 to 12 submarines with Seawolf-quality stealthiness by 2012.

#### THE BUDGETARY/RISK TRADEOFF

A recent study of the U.S. submarine production base by the Rand Corporation concluded that little money would be saved by allowing a production gap to develop in the construction of new submarines. The risks, though, would be considerable. The third Seawolf illustrates this finding clearly. The cost of the boat will be \$2.4 billion, of which \$900 million is already obligated. Since it will cost at least that much more to terminate contracts and shut down production of the third boat, the Navy faces the choice of spending: (a) nearly \$2 billion, with nothing to show for it; or (b) \$2.4 billion, to get a very capable submarine.

Its decision to embrace the latter option is driven, though, not only by the budgetary arithmetic, but also by the urgent need to preserve the nation's ability to build submarines. Consolidation of all nuclear-ship production at Newport News Shipbuilding—builder of the Navy's nuclear-powered carriers and other surface combatants, as well as more than three dozen SSNs and SSBNs—would not only reduce the U.S. nuclear shipbuilding industrial base to one yard, but also would deprive the nation of the pre-eminent submarine integration facility at Electric Boat, and of a highly skilled work force as well.

It might at some future date be considered necessary, for strictly budgetary reasons, to consolidate all nuclear construction at one yard—but to do so would mean a loss of flexibility and of surge capacity, and would entail some serious national security risks as well.

Fortunately, that decision does not have to be made this year. The overwhelming case for completing the SSN-23 gives the Navy, and Congress, the time needed for a detailed and much more comprehensive study of the cost/benefit tradeoffs involved in making what would be an irreversible change in the

long-term U.S. submarine construction program. For at least the time being, though, the Navy itself apparently has concluded that it makes more sense to keep nuclear submarine production at its preferred source, Electric Boat, while maintaining the construction of nuclear-powered surface ships at Newport News Shipbuilding.

The near-term costs of such an approach are outweighed, the Navy says, by the overriding national security need to ensure the preservation of an adequate industrial base. The Navy's industrial plans for submarines are in that respect similar to its military plans. Both focus on the long term, because it is assumed that the long term is when major new threats to national security may arise. A long-term approach may, of course, create certain near-term budgetary pressures, but those pressures reflect the service's unwillingness to sacrifice its enduring requirements in order to address the more transitory concerns of the moment. Considering the evidence of the recent past and the global trends evident today in technology and politics, it is hard to argue with such an approach.

### HUMAN RIGHTS IN EAST TIMOR

#### HON. JOHN EDWARD PORTER

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 7, 1995

Mr. PORTER. Mr. Speaker, as cochairman of the Congressional Human Rights Caucus, I rise today to speak out about human rights conditions in Indonesia, and specifically, on the island of East Timor. Home to nearly 200 million people, Indonesia is the fourth most populous nation in the world. Congress has already pressed the Government of Indonesia to give the people of East Timor greater freedom and to ensure the protection of their fundamental human rights. I am disheartened, however, by the lack of progress on ending abuses being committed by Indonesian military forces and the frequent reports of torture and other serious abuses being committed in East Timor. This year, the State Department's "Country Reports on Human Rights Practices for 1994" states:

The [Indonesian] Government continued to commit serious human rights abuses and in some areas, notably freedom of expression, it became markedly more repressive, departing from a long-term trend towards greater openness. The most serious included the continuing inability of the people to change their government and harsh repression of East Timorese dissidents.

In November 1994, the U.N. Special Rapporteur on Extrajudicial, Summary, and Arbitrary Executions reported that the atmosphere in East Timor continues to be oppressive and resembles the conditions that precipitated the mass killings by Indonesian forces in November 1991. The rapporteur's report serves as a warning to the world and should be a call to action for the international community to prevent a repetition of severe human rights violations.

In addition, I remain concerned about the large Indonesian military presence on the island and about reports indicating that one of the Indonesian army battalions that was responsible for the Santa Cruz massacre recently returned to the region. I also oppose the mistreatment of Timorese political prisoners, the heightened migration of Indonesian

settlers to East Timor, and the obstruction of international observers who are working to monitor trials of dissidents and report on conditions in East Timor. I firmly believe that these developments demand a strong response by the international community.

Indonesian President Suharto has recently cracked down on free press, causing the firing of journalists who voice their dissent. This campaign to intimidate journalists is not the only repression that has intensified. There are frequent cases of Christians being arrested, beaten, and intimidated. There is little freedom of association, assembly or expression, and members of the security forces responsible for these human rights violations enjoy virtual impunity. Assistant Secretary of State John Shattuck recently reported to Congress that the human rights situation "Which began worsening in late 1994, worsened further in January of this year." I call on Members to put pressure on the Indonesian Government to end their pattern of abuses in East Timor. I call on my colleagues to join me in my efforts to remain vocal and keep a bad situation from further deteriorating.

I also commend to Members the following article, from the Boston Globe dated April 3, 1995, which explains United States shortcomings in promoting human rights in Indonesia.

One way to continue to keep pressure on the Indonesian Government is to continue the ban on International Military Education and Training [IMET] funds to them. I applaud Representative REED of Rhode Island for the amendment he intends to offer to the American Overseas Interest Act to cut all IMET funds to Indonesia for fiscal year 1996 and fiscal year 1997. I urge Members to support this amendment, which is a strong and clear message to the Indonesian Government that their disregard for human rights will not be tolerated by the United States.

[From the Boston Globe, April 3, 1995]

#### COMPROMISING HUMAN RIGHTS

The most generous way to describe the Clinton administration's approach to human rights is to call it ambivalent.

John Shattuck, assistant secretary of state for human rights, has said all the right things and produced candid reports on human rights around the world. But President Clinton ignored Beijing's abuses for the sake of trade, subordinated human rights to strategic concerns when Boris Yeltsin assaulted Chechnya and made the fatal mistake of refusing to classify the mass murders in Rwanda as genocide when to do so might have enabled UN forces to stop the slaughter.

Recently there has been an unusually overt demonstration of the administration's ambivalence on human rights. Speaking in the Indonesian capital, Jakarta, the vice chairman of the Joint Chiefs of Staff, Adm. William Owens, said the Pentagon wants to resume a US program for the military and educational training of the Indonesian army, a program that Congress suspended in 1992 because of Indonesia's flagrant abuse of human rights on the conquered territory of East Timor.

The same day, Shattuck was telling Congress that the human right situation on East Timor, "which began worsening in late 1994, worsened further in January this year." Shattuck's testimony replicated a report by the organization Human Rights Watch/Asia on "Deteriorating Human Rights in East Timor." The report describes "extrajudicial